



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

July 7, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo
Auditor-Controller

A handwritten signature in blue ink, reading "John Naimo", is written over the printed name and title.

SUBJECT: **RANCHO RESEARCH INSTITUTE, INC. – A DEPARTMENT OF
HEALTH SERVICES ORTHOTIC SERVICES CONTRACT SERVICE
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a review of Rancho Research Institute, Inc. (RRI or Contractor), a Department of Health Services (DHS) Orthotic Services contract service provider. The purpose of our review was to evaluate RRI's compliance with their County contract. Our review included a review of invoices, employee personnel records, and other applicable documents, and interviewing DHS and RRI employees.

DHS paid RRI a total of \$572,600 on a fee-for-service basis from July through December 2014. RRI provides orthotic services for Rancho Los Amigos National Rehabilitation Center located in the Fourth Supervisorial District.

Results of Review

RRI provided the orthotic services in accordance with their County contract for the billings reviewed. In addition, for the required health screenings and personnel files we reviewed, there were no discrepancies noted. However, RRI did not always comply with all of their County contract requirements. Specifically, RRI did not:

- Maintain adequate documentation to support the in-kind service hours that are required by their County contract.

RRI's attached response indicates that they have implemented new forms and procedures for documenting their in-kind service hours.

- Hold Special Projects Committee meetings quarterly to address any service problems and provide quarterly project status reports as required.

RRI's attached response indicates that they agree with our recommendation and have taken steps to resume their quarterly meetings.

- Ensure office computers had encryption software.

RRI's attached response indicates that they will install encryption software on all computers.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with RRI and DHS on June 17, 2015. RRI's attached response (Attachment II) indicates agreement with our findings and recommendations. DHS will work with the Contractor to ensure our recommendations are implemented.

We thank RRI and DHS management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:js

Attachments

- c: Sachi A. Hamai, Interim Chief Executive Officer
Mitchell H. Katz, M.D., Director, Department of Health Services
Julia LaPlount, Executive Director, Rancho Research Institute, Inc.
Public Information Office
Audit Committee

**RANCHO RESEARCH INSTITUTE, INC.
ORTHOTIC SERVICES
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2014-15**

BILLED SERVICES

Objective

Determine whether Rancho Research Institute, Inc. (RRI or Contractor) provided the services billed to the Department of Health Services (DHS) in accordance with their County contract.

Verification

We reviewed RRI's invoices and other supporting documentation for \$57,511 (36%) of the \$161,315 that DHS paid to RRI during December 2014. We also reviewed documentation in the patient case files for ten patients and interviewed DHS and RRI staff.

Results

RRI provided orthotic services in accordance with their County contract for the invoices reviewed.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether RRI properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if bank account reconciliations were reviewed and approved by Contractor management timely.

Verification

We interviewed RRI management, and reviewed their financial records and December 2014 bank reconciliation.

Results

RRI properly recorded revenue in their financial records and deposited DHS cash receipts timely. In addition, Contractor management reviewed and approved monthly bank reconciliations timely.

Recommendation

None.

ADMINISTRATIVE CONTROLS**Objective**

Determine whether RRI was in compliance with their County contract administrative requirements. In addition, determine whether RRI's computers contain encryption software to protect the Personally Identifiable Information (PII) and Protected Health Information (PHI) of their patients.

Verification

We interviewed RRI personnel, and reviewed their policies and procedures and other applicable documents.

Results

RRI maintained the required insurance coverage. However, the Contractor did not hold quarterly "Special Projects Committee" meetings with DHS staff to address any service problems and provide quarterly project status reports as required by their County contract. In addition, RRI's office computers did not have encryption software. While the Contractor did have adequate physical security over their computers, RRI should ensure their computers have encryption software to protect the PII and PHI of DHS' patients.

Recommendations

Rancho Research Institute, Inc. management ensure:

- 1. Staff hold Special Projects Committee meetings quarterly to address any service problems and provide quarterly project status reports.**
- 2. All computers have encryption software.**

PERSONNEL

Objective

Determine whether RRI complied with personnel contract requirements, and maintained personnel files as required.

Verification

We reviewed the personnel files and other documentation for five (38%) of the 13 RRI employees. In addition, we interviewed DHS and Contractor employees and reviewed supporting documentation for in-kind service hours RRI was required by their County contract to provide during October to December 2014.

Results

RRI staff completed the required health screenings, and the Contractor maintained personnel files as required. In addition, DHS indicated that their monitors ensure that RRI provides the in-kind service hours that are required by their County contract. However, the contract specifically requires RRI to provide 230 hours of in-kind services and the Contractor did not maintain adequate documentation (e.g., daily logs, timecards, etc.) to support the hours of in-kind services provided.

Recommendation

3. **Rancho Research Institute, Inc. management maintain adequate documentation to support the hours of in-kind services provided.**



Rancho Research Institute

Formerly Los Amigos Research & Education Institute, Inc. at Rancho Los Amigos National Rehabilitation Center

June 20, 2015

John Naimo
Auditor-Controller
Kenneth Hahn Hall of Administration
500 W. Temple Street, Room 525
Los Angeles, CA 90012

Re: Rancho Research Institute, Inc. Orthotic Services
Contract Compliance Review
Fiscal Year 2014-15

Dear Mr. Naimo:

We are responding to the recommendations resulting from our recent audit on the above contract.

Recommendation No. 1 - Rancho Research Institute, Inc. management ensure staff holds Special Projects Committee meetings quarterly to address any service problems and provide quarterly project status reports.

We agree with this recommendation and have taken steps to re-convene the Committee meetings quarterly with members as listed in our current contract. We have scheduled a meeting with our Contract Monitor here at Rancho to set up specific guidelines. This committee will also address any specific requests from Rancho staff for special needs to develop new orthotic devices.

Recommendation No. 2 - Rancho Research Institute management ensure all computers have encryption software.

We agree with this recommendation and have instructed our IT representative to purchase and install a "full disk encryption system" for all Orthotic computers and the Orthotic billing computer in the RRI administrative office.

Recommendation No. 3 – We agree with the recommendation to maintain adequate documentation to support the hours of in-kind services provided in accordance with our contract.

We have developed new forms for these services for each individual clinic. Each orthotic employee providing services in a particular clinic will document and sign as to the amount of time spent. This form

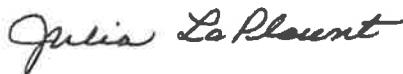
will then be signed at the end of each clinic by the County physician running that particular clinic for verification of attendance. We have scheduled a meeting with our Rancho Contract Monitor for approval of this form.

Our primary goal for the Orthotic Department is to continue to provide excellent services for the patients of Rancho in accordance with our agreement and to continue to strive to provide the highest quality of care addressing their rehabilitation health issues to improve their quality of life.

Thank you for your confidence and for allowing us to provide these services in keeping with our mission of improving the lives of the disabled community at Rancho.

Regards,

RANCHO RESEARCH INSTITUTE, INC.



Julia LaPlount
Executive Director



Charles DeBourdieu, CPO
Orthotic Director
Certified Prosthetist/Orthotist